

Message Text

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TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 231694 TOSEC 270377

FOR UNDERSECRETARY ROGERS FROM SORENSON

FOLLOWING REPEAT OECD PARIS 27229 ACTION SECSTATE ALL OECD
CAPITALS ALGIERS JIDDA BUENOS AIRES BRASILIA YAOUNDE NEW DELHI
JAKARTA BAGHDAD TEHRAN KINGSTON MEXICO LAGOS ISLAMABAD LIMA
CAIRO CARACAS BELGRADE LUSAKA KINSHASA USUN 17 SEP QUOTE

C O N F I D E N T I A L OECD PARIS 27229

E.O. LL652: GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC COMMISSIONS: SESSIONS OF SEPT. 15 AND 16

1. SUMMARY: MAJOR FOCUS OF SEPTEMBER 15 AND 16 SESSIONS WAS DISCUSSION OF DEBT IN DEVELOPMENT AND FINANCE COMMISSIONS, BOTH OF WHICH HAD RECEIVED PROPOSAL PAPERS FROM THE EC/US AND FROM THE G-19. ENERGY COMMISSION HEARD AND DISCUSSED US INITIAL PROPOSALS ON ENERGY ASPECTS OF THE INTERNATIONAL RESOURCES BANK (IRB) AND ON THE INTERNATIONAL ENERGY INSTITUTE (IEI). RAW MATERIALS COMMISSION AGREED THAT NEITHER G-8 NOR G19 READY TO TABLE PROPOSALS AND ADJOURNED ON SEPTEMBER 15 IN NON-CONTENTIOUS ATMOSPHERE. THERE HAS BEEN GENERAL RECOGNITION THAT GEARS HAVE SHIFTED, AS DISCUSSIONS NOW FOCUSING ON PROPOSAL PAPERS RATHER THAN ANALYSIS. WITHIN G19 RANKS SOME CRACKS HAVE APPEARED AS MEXICO AND MORE CAUTIOUSLY BRAZIL DISTANCED THEMSELVES FROM COLLEAGUES
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(ESPECIALLY INDIA AND PAKISTAN) SEEKING BROAD DEBT
RELIEF. END SUMMARY.

ENERGY COMMISSION

2. AT ACTIVE AND LENGTHY SESSIONS ON WEDNESDAY AND THURSDAY, COMMISSION CONTINUED DISCUSSION OF FORM AND NATURE OF POSSIBLE CIEC CONCLUSIONS DOCUMENT, AND ENGAGED IN FIRST ROUND OF DETAILED DISCUSSIONS OF PAPER CIRCULATED BY U.S. ON IRB (SAME AS PAPER TABLED IN JUNE IN RAW MATERIALS COMMISSION) AND ON IEI. USDEL SAID FUNDAMENTAL CONCLUSION IN PART ONE OF WORK PROGRAM ON RESOURCES/SUPPLY IS THAT WORLD HAS ENTERED PERIOD OF PROFOUND ENERGY TRANSITION TO NEW SOURCES. ALTHOUGH EXACT NATURE OF TRANSITION REMAINS NOT CLEARLY UNDERSTOOD AT PRESENT, INTERESTS OF ALL NATIONS WILL BE SERVED BY ENSURING TRANSITION IS SMOOTH AND ORDERLY AS POSSIBLE. ASSUMING ABOVE TO BE TRUE, COMMISSION NEEDED DRAW SOME CONCLUSIONS RE WHAT RESPONSIBILITIES OF ALL SIDES IN DIALOGUE ARE: DCS HAVE OBLIGATION TO INSURE THEY USE THEIR TECHNOLOGY TO IMPROVE ENERGY-USE EFFICIENCY, RECOVERY RATES, ALTERNATIVE RESOURCES DEVELOPMENT, ETC.; PRODUCERS HAVE RESPONSIBILITY TO RECOGNIZE BROAD IMPLICATIONS OF CONTINUING WORLD RELIANCE ON IMPORTED OIL. IN THIS REGARD, THERE WOULD BE REQUIREMENT IN FUTURE FOR JOINT ASSESSMENT TO DETERMINE IF WORLD PROCEEDING AT CORRECT PACE THROUGH TRANSITION PERIOD. RE EDDC PROBLEM, IT EVIDENT EDDC ENERGY NEEDS WILL GROW MORE RAPIDLY THAN THOSE OF REST OF WORLD, AND THIS NEED MUST BE MET SOMEHOW. THERE WAS LITTLE COMMENT ON U.S. PRESENTATION BY OTHER DELS.

3. U.S. DEL THEN GAVE DESCRIPTION OF ENERGY ASPECTS OF IRB PROPOSAL POINTING OUT, INTER-ALIA, THAT CAPITAL REQUIREMENTS FOR ENERGY INVESTMENT IN EDDCS ARE ENORMOUS. REQUIREMENTS FOR EXPANSION OF CAPACITY IN PRODUCER COUNTRIES ALSO LARGE. WHILE MOBILIZATION THESE FUNDS INEVITABLY WILL REQUIRE INTENSIFIED EFFORT AT OFFICIAL LEVEL, PRIVATE SECTOR MUST BEAR MAJOR INVESTMENT RESPONSIBILITY GIVEN MAGNITUDE INVOLVED. THEREFORE, IT ESSENTIAL TO IDENTIFY MEANS OF REMOVING INVESTMENT CONSTRAINTS AND FACILITATING CAPITAL MOBILIZATION IN PRI-CONFIDENTIAL

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VATE SECTOR. GIVEN PRESENT HIGH LEVEL OF DC INVESTMENT IN OWN ENERGY DEVELOPMENT PROGRAMS, THERE MAY BE GREAT DIFFICULTIES IN RAISING NEW CAPITAL UNLESS NEW INSTITUTIONS CREATED. IRB WAS DESIGNED HELP MEET THIS PROBLEM.

4. WITH EXCEPTION OF BRIEF, AND SOMEWHAT INCOHERENT, STATEMENT BY VENEZUELAN DEL (WHO SAID ONE OF SHORTCOMINGS OF IRB WAS THAT IT WOULDN'T STABILIZE ENERGY PRICES (SIC)), OPEC REPS DID NOT COMMENT ON U.S. PAPER. EDDC REPS REGISTERED INTEREST RE ENERGY-RELATED ASPECTS, BUT FELT IT DID NOT GO FAR ENOUGH. JAMAICAN REP SAID EDDCS REALLY NEEDED A "GENUINE BANK" TO MAKE DIRECT LOANS FOR ENERGY INVESTMENT. AN IRB FOR ALL RAW MATERIALS WAS

SEEN BY G-77 AS DC COUNTER TO COMMON FUND PROPOSAL, AN ALTERNATIVE THEY "WERE NOT PREPARED TO ENTERTAIN." HE SAID COMMON FUND DID NOT APPLY TO ENERGY AREA, HOWEVER, AND INDICATED JAMAICAN INTEREST IN A RESOURCES INSTITUTION LIMITED TO ENERGY. HE ASKED WHETHER, IN LIKELY EVENT CIEC TOOK NO ACTION ON BROAD IRB, WOULD US BE WILLING PROPOSE MORE LIMITED "IERB", OR WOULD US DROP PROPOSAL ENTIRELY. EGYPTIAN SUPPORTED JAMAICAN DEL AND SAID EITHER AN IERB SHOULD BE CREATED, OR IEI SHOULD BE - EXPANDED TO COVER ENERGY INVESTMENT FUNCTIONS.

5. USDEL (BOSWORTH) SAID U.S. IN NO WAY SAW IRB AS ALTERNATIVE TO COMMOH FUND. RE SUGGESTED TRANSFORMATION OF IRB INTO MORE TRADITIONAL LENDING BANK, US RECOGNIZED ADOPTION OF IRB WOULD NOT BY ITSELF BE ADEQUATE RESPONSE TO TOTAL PROBLEMS OF ENERGY INVESTMENT NEEDS OF LDCS AND NOTED EARLIER COMMISSION DISCUSSIONS HAD INDICATED POSSIBLE NEED TO LOOK AT OFFICIAL CAPITAL REQUIREMENTS AS WELL. HOWEVER, IRB NOT INTENDED ADDRESS THIS PROBLEM. RE POSSIBLE TRANSFORMATION OF IRB INTO AN IERB IN EVENT BROADER INSTITUTION UNACCEPTABLE, BOSWORTH SAID IRB DESIGNED RESPOND TO INVESTMENT PROBLEMS IN ALL RAW MATERIALS INCLUDING ENERGY. AS SUCH WE FELT IT MET INTERESTS OF PRODUCERS AND CONSUMERS AND ANTICIPATED IT WOULD RECIEVE SERIOUS CONSIDERATION IN ALL ITS ASPECTS IN CIEC.

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6. AFTER PRESENTATION BY USDEL (THOMPSON), THURSDAY MEETING WAS DEVOTED TO EXCHANGE OF VIEWS ON IEI PAPER. G-8 REPS SUPPORTED PROPOSAL. G-19 REACTION REFLECTED DIFFERENCES BETWEEN OPEC REPS WHO, WHILE NOT REJECTING PROPOSAL, WERE DISTINCTLY COOL AND EDDC REPS, WHO WERE MORE POSITIVE. OPEC REPS SAID IEI, AS PROPOSED, DID NOT ADEQUATELY ADDRESS PROBLEM OF TECHNOLOGY TRANSFER. PAPER FAILED RECOGNIZE THAT ENERGY TECHNOLOGY IS INTEGRALLY RELATED TO OTHER FORMS OF TECHNOLOGY TRANSFER. PROPOSAL LEFT RESPONSIBILITY FOR TRANSFER ALMOST ENTIRELY WITH PRIVATE SECTOR, LEAVING INSTITUTE AND GOVERNMENTS NO REAL ROLE. OPEC REPS SAID TRAINING AND ENERGY STRATEGY DEVELOPMENT FUNCTIONS WERE RELATIVELY MINOR PROBLEMS NOT MERITING CREATION OF NEW INTERNATIONAL MACHINERY. IRANIAN DEL CHARACTERIZED IEI AS "PAPER INSTITUTE", AND SAID FUNCTIONS TO BE PERFORMED BY SMALL STAFF PROPOSED COULD ALL BE HANDLED BY EXISTING INSTITUTIONS. OPEC REPS NOTED, HOWEVER, THEY NEITHER FOR NOR AGAINST PROPOSAL BUT FELT MORE ELABORATION NECESSARY.

7. INDIAN REP WAS MORE POSITIVE, EXPRESSING

APPRECIATION FOR SPIRIT OF PROPOSAL. HE SAID THAT, WHILE TECHNOLOGY TRANSFER VERY IMPORTANT, SO TOO WAS EFFECTIVE ENERGY PLANNING. HE THOUGHT IT MOST IMPORTANT TO ENSURE THAT INSTITUTE HAD SUFFICIENT SIZE AND STATURE TO ATTRACT GOOD PEOPLE, AND TO COORDINATE WORK EFFECTIVELY WITH THAT OF OTHER INTERNATIONAL ORGANIZATIONS. JAMAICAN DEL SAID IT IMPORTANT THERE BE SOME INSTITUTION, EITHER WITHIN UN OR ELSEWHERE, TO WHICH EDDCS CAN TURN FOR ASSISTANCE IN ENERGY PLANNING, AND WHICH WOULD BE CHARGED WITH IMPORTANT AREA OF TRAINING. HE CONCLUDED THAT IEI WOULD BE ONLY INTERNATIONAL ORGANIZATION DEALING WITH FULL SPECTRUM OF ENERGY PROBLEMS AND OPEN TO ALL.

8. US REP DEFERRED DETAILED RESPONSE TO MEET QUESTIONS UNTIL OCTOBER SESSION. HE NOTED IN CONCLUSION THAT INSTITUTE WAS DESIGNED PRIMARILY TO HELP COUNTRIES CHOOSE APPROPRIATE TECHNOLOGIES, FITTING IN WITH THEIR CONFIDENTIAL

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OVERALL ENERGY DEVELOPMENT PLANS. ACTUAL IMPLEMENTATION OF TECHNOLOGY TRANSFER WOULD HAVE BE DONE BY PRIVATE SECTOR. UN REP ALSO MADE BRIEF SUMMARY OF CURRENT STATUS OF UN STUDY OF IEI CONCEPT, AND CIRCULATE UN STUDY OF IEI WITH ANNEX.

RAW MATERIALS

9. AT SEPTEMBER 15 PLENARY SESSION EC AND US GAVE PRELIMINARY REACTION TO G-19 "PROPOSAL" ON TRANSPORT, MARKETING, AND DISTRIBUTION, ASKING FOR GREATER CLARITY AND PRECISION. NIGERIAN DEL GAVE VAGUE RESPONSE TO QUESTIONS RAISED BY EC.

10. G-8 DELS MET WITH FURTHER QUESTIONS FROM G-19 AS TO THEIR INTENTIONS TO MAKE PROPOSALS DURING REST OF YEAR. US, EC, AND JAPAN INDICATED THAT THEY WOULD DO THEIR BEST TO SUBMIT PROPOSALS EVEN BEFORE THE OCTOBER 20 BEGINNING OF NEXT SESSION, THOUGH THEY COULD NOT COMMIT THEMSELVES TO SUBMIT PARTICULAR PROPOSALS OR TO SUBMIT THEM BEFORE OCTOBER SESSION. US DEL (WENDT) SAID US INTENDED TO ADDRESS MOST SUBJECTS ON THE WORK PROGRAM, INCLUDING PURCHASING POWER OF DEVELOPING COUNTRIES, EITHER IN FORM OF DETAILED PROPOSALS OR MORE GENERAL SUGGESTIONS FOR LANGUAGE FOR FINAL COMMUNIQUE OF CONFERENCE. AT END OF THIS DISCUSSION ARGENTINA MADE CONCILIATORY STATEMENT NOTING THAT WILL FOR DIALOGUE WAS CLEAR AND POSITIVE ON BOTH SIDES AND THAT PROPOSALS WOULD HAVE TO BE CAREFULLY WORKED OUT. HE SAID NEITHER G-8 NOR G-19 HAD DOCUMENTS

BEFORE IT WHICH COULD BE DISCUSSED IN SUFFICIENT
DETAIL AND SUGGESTED NEED FOR INTERVAL IN WORK OF
COMMISSION.

11. AFTER RECESS AND CONSULTATIONS WITHIN G-8 AND
G-19 AND BETWEEN CO-CHAIRMEN, LDC CO-CHAIRMAN
ARIAS-SCHREIBER (PERU) MADE STATEMENT TO EFFECT THAT
COMMISSION HAD AGREED TO ADJOURN AND MEET AGAIN
OCTOBER 20. DELS AGREED THAT BALANCE OF WEEK WOULD BE
USED FOR INFORMAL CONSULTATIONS, AND THAT
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SECRETARIAT SHOULD DISTRIBUTE ANY PROPOSALS THAT
MIGHT BE RECEIVED IN INTERIM PERIOD BEFORE NEXT
SESSION. COMMISSION AGREED THAT IN VIEW OF
CURTAILMENT OF SEPTEMBER SESSION, OCTOBER MEETING
COULD BE EXTENDED TO OCTOBER 30 IF EITHER G-8 OR
G-19 SO REQUESTED IN THE LIGHT OF PROGRESS MADE IN
THE COURSE OF THAT SESSION. THIS FORMULATION WAS
BASED ON G-8 DESIRE TO AVOID SETTING ANY PRECEDENTS
FOR OTHER COMMISSIONS.

DEVELOPMENT COMMISSION

12. G-19 AND SWEDISH DEBT PROPOSALS WERE TABLED
SEPTEMBER 14TH. G-19 PROPOSALS FOR IMMEDIATE
GENERALIZED DEBT RELIEF CALL FOR WRITE-OFF OF OFFICIAL
DEBT OF LEAST-DEVELOPED, LAND-LOCKED AND ISLAND LDC'S,
REFINANCING OFFICIAL DEBT OF OTHER MSA'S WITH 90 PER-
CENT GRANT ELEMENT AND DEBT RELIEF FOR OTHER LDC'S
SEEKING IT. PROPOSALS ALSO CALL FOR IFI'S TO EXTEND
PROGRAM ASSISTANCE TO ALL MSA'S, LLDC'S, ETC' AT
LAST EQUIVALENT TO LOAN REFLOWS FROM THEM AND FOR
RESCHEDULING OF COMMERCIAL DEBTS THROUGH W MULTI-
LATERAL CILITY AND GOVERNMENT PRESSURING OF PRIVATE
FINANCIAL INSTITUTIONS TO RESCHEDULE THERE CLAIMS
AGAINST LDC'S. SWEDISH PROPOSAL WOULD HAVE G-8 AGREE
A PRIORI TO PROVIDE ADDITIONAL ODA TO ALL MSA'S AND
LLDC'S THROUGH ODA DEBT RELIEF OR EQUIVALENT MEASURES.

13. G-19 (PAKISTAN) BEGAN DEBATE BY ARGUING THAT
EC/US PROPOSALS DID NOT MEET REQUIREMENTS SET OUT IN
WORK PROGRAM WHICH THEY READ AS CALLING FOR DISCUSSION
OF MEASURES TO ALLEVIATE DEBT BURDEN IN DEVELOPMENT
COMMISSION AND OF FEATURES OR PROCEDURES IN FAC. US
AND EC STRONGLY REJECTED THIS ARGUMENT, BUT G-19 HAS
STILL NOT YET COMMENTED ON NEW PROCEDURE OUTLINED IN
US/EC PROPOSAL. (G-19 HAS TABLED ITS OWN PAPER ON
FEATURES IN FAC). G-19 ALSO HAD MEXICAN
AUDITOR TAKE
FLOOR TO ASSERT, UNCONVINCINGLY, THAT MEXICAN STATEMENT
WHICH OPPOSED GENERALIZED DEBT RELIEF, SHOULD NOT BE

TAKEN TO INDICATE LACK OF SUPPORT FOR G-19 POSITION.
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14. US, JAPAN, EC AND CANADA REITERATED THEIR OPPOSITION TO GENERALIZED DEBT RELIEF AND COMMITMENT TO CASE-BY-CASE TREATMENT OF LDC DEBT AND GENERAL RESOURCE TRANSFER PROBLEMS. ALL FOUR ALSO STATED THAT IT WOULD BE IMPOSSIBLE FOR THEM TO INTERFERE IN COMMERCIAL DEBT TRANSACTIONS. US AND EC NOTED THAT NON-ACUTE B/P PROBLEMS HAD TO BE TREATED IN WIDER CONTEXT OF GENERAL TRANSFER OF RESOURCES AND THAT BOTH DEBTOR AND CREDITOR RESPONSIBILITIES AND PREVENTIVE MEASURES SHOULD BE ADDRESSED. BOTH EC AND US EMPHASIZED THAT PROCEDURE THEY OUTLINED FOR CONSIDERING B/P PROBLEMS COULD BE IMPLEMENTED IMMEDIATELY, AND THAT INHERENT IN THE PROPOSALS WAS COMMITMENT BY DONORS TO CONSIDER TAKING ACTION WHEN AN LDC FINDS THAT ITS B/P DIFFICULTIES IMPINGE ON ITS GROWTH PROSPECTS. PAKISTAN AND INDIA, SPEAKING FOR G-19, SAID THEY COULD NOT ACCEPT US/EC DIVISION OF ACUTE AND LONGER-TERM DEBT SITUATIONS, AND ARGUED THAT ECONOMIC HARDSHIPS EXPERIENCED DURING RECENT RECESSION BY MSA'S, LLDC'S, ETC., DUE MAINLY TO EXTERNAL FACTORS SHOULD BE COMPENSATED FOR BY "ONE-SHOT" GENERALIZED DEBT RELIEF. PAKISTAN SAID US/EC PROPOSALS WOULD ONLY FORMALIZE PROCEDURES WHICH ALREADY EXIST INFORMALLY. INDIAN DELEGATE SAID THAT IF RESOURCE TRANSFERS WERE ADEQUATE, CONSIDERATION OF DEBT RELIEF WOULD NOT BE NECESSARY. SWEDEN BRIEFLY PRESENTED ITS PROPOSAL, BUT G-19 DID NOT COMMENT ON IT.

15. OUTSIDE COMMISSION MEETING, SOME G-19 DELS HAVE BEEN SPREADING NOTION THAT G-19 MUST PUSH FOR DEBT RELIEF FOR LLDC'S SINCE LLDC'S ARE NOT REPRESENTED IN G-19 AND MUST BENEFIT FROM CIEC. BOTH G-19 AND G-8 WOULD LIKE TO END DEBT DISCUSSION FRIDAY, AND CONSIDERATION IS BEING GIVEN TO HOW INFORMAL CONTACTS ON DEBT MIGHT BE PURSUED.

FINANCE COMMISSION (FC)

16. IN SEPTEMBER 15 AND 16 FC SESSIONS, PRESENTATION OF PAPERS AND PRELIMINARY DISCUSSION TOOK PLACE ON ALL
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THREE ITEMS SLATED FOR THE SEPTEMBER WORK PROGRAM:
DEBT, OPEC ASSETS, MEASURES AGAINST INFLATION.

17. IN RESPONSE TO US/EC PAPER ON DEBT (ACUTE DEBT CRISIS SITUATION) ISSUED TO THE FC ON SEPTEMBER 14,

PAKISTAN, ON BEHALF OF G-19, PRESENTED OWN BROADER PAPER ON DEBT REORGANIZATION. (TEXT OF THIS PAPER REPORTED OECD PARIS 21485.) IN BRIEF PRELIMINARY RESPONSE TO US/EC PAPER, INDIAN DEL POINTED OUT THAT SCOPE OF THIS PAPER WAS NARROW, AND IF PROGRESS IS TO BE MADE IN THE AREA OF DEBT REORGANIZATION, WE SHOULD LOOK AT THIS ISSUE FROM A BROADER AND MORE DEVELOP- .3,5-)6 9483,53\$:9,53/5. INDIAN DEL ALSO QUESTIONED THE NEED FOR A DISTINCTION BETWEEN ACUTE AND NON-ACUTE DEBT CRISIS SITUATIONS. AT SUGGESTION OF US DEL (RYAN), FC WILL TRY TO FOCUS ITS DISCUSSIONS ON DEBT ON THE TWO PAPERS (US/EC PAPER ON ACUTE DEBT CRISIS AND G-19 ON DEBT REORGANIZATION) ISSUED TO IT. FURTHER DISCUSSIONS ON DEBT EXPECTED TO TAKE PLACE ON SEPTEMBER 17.

18. OPEC ASSETS: US DEL INTRODUCED PAPER ON THE "INVESTMENT OF SURPLUS FINANCIAL RESERVES OF OIL EXPORTING COUNTRIES." THIS PAPER RESEMBLES VERY CLOSELY A PAPER PRESENTED TO TWP ON SEPTEMBER 9 (REPORTED OECD 26911). IN A BRIEF AND PRELIMINARY RESPONSE, SAUDI ARABIAN DEL REVIEWED US PAPER; THIS REVIEW GENERALLY FOLLOWED THE LINES OF HIS VIEWS EXPRESSED AT APRIL AND JUNE FC SESSIONS. HE DID FIND SOME AREAS OF AGREEMENT BUT GENERALLY FELT THAT THE PAPER DID NOT GO FAR ENOUGH AND STILL DID NOT RECOGNIZE SPECIAL NATURE OF OPEC SURPLUS AND THEREFORE NEED FOR SPECIAL TREATMENT OF OPEC INVESTMENTS. SAUDI DEL, ON BEHALF OF THE GROUP OF 19, PRESENTED A PAPER WHICH CONTAINED "THE MINIMUM REQUIREMENTS" FOR MEETING THE NEEDS OF THE OIL EXPORTING COUNTRIES. THESE "REQUIREMENTS" ARE NOT NEW AND THEIR ESSENCE IS CONTAINED IN THE SAUDI PAPER PRESENTED TO THE APRIL FC SESSION. VERBALLY, BUT NOT IN G-19 PAPER, SAUDI DELEGATE CONTINUED TO LINK ISSUE OF FUTURE SAUDI OIL PRODUCTION TO ADEQUATE TREATMENT OF OPEC ASSETS. US AND EC DELS WILL RESPOND TO THIS PAPER AT SEPTEMBER 17 SESSION.
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19. MEASURES AGAINST INFLATION: US AND EC INTRODUCED SEPARATE PAPERS ON MEASURES AGAINST INFLATION, AFTER EEC FOR TACTICAL REASONS DECIDED NOT TO PURSUE A COMBINED EFFORT. BOTH OF THESE PAPERS RESEMBLE VERY CLOSELY PRELIMINARY DRAFTS WHICH WERE DISTRIBUTED TO TWP ON SEPTEMBER 9 (REPORTED OECD PARIS 265911). IRANIAN DEL OFFERED PRELIMINARY G-19 RESPONSE TO THESE PAPERS, ARGUING PRIMARILY THAT IT IS UP TO THE IMPORTANT NATIONS OF THE WORLD WHEN THEY TAKE SIGNIFICANT DOMESTIC MEASURES, TO BEAR IN MIND THAT THE EFFECTS OF THESE ESSENTIALLY DOMESTIC MEASURES CAN BE FELT INTERNATIONALLY AS WELL. ON THE OTHER HAND HE DID EXPRESS THE VIEW THAT SMALLER LDC'S CAN TAKE WHATEVER DOMESTIC MEASURES ARE FELT TO BE NECESSARY WITHOUT THE

NEED FOR CLOSE EXAMINATION OF POTENTIAL INTERNATIONAL
EFFECTS, I.E. IF FOR POLITICAL OR SOCIAL REASONS THEY
DECIDE TO PURSUE EXPANSIONARY MEASURES WITH INFLATIONARY
EFFECTS THAT IS THEIR CHOICE. HE ALSO REITERATED THE
TERMS OF TRADE ARGUMENTS PRESENTED BY THE G-19 AT
MARCH AND APRIL FC SESSIONS AND WENT INTO LONG
DISCOURSE LAYING RESPONSIBILITY FOR PAST AND FUTURE
INFLATION ON THE DEVELOPED WORLD AND CALLED FOR
INDEXATION OF LDC EXPORT PRICES. US AND EC COUNTERED
SOME OF MORE OUTLANDISH G-19 STATEMENTS. US DEL (JUNZ)
POINTED OUT THAT US VIEWS ON TERMS OF TRADE ARGUMENT ARE
CONTAINED IN PAPERS DISTRIBUTED EARLIER. BOTH MEXICAN
AND IRANIAN DEL ATTEMPTED TO INTRODUCE ASPECTS OF REFORM
IN THE INTERNATIONAL MONETARY SYSTEM IN THE DISCUSSION
OF MEASURES AGAINST INFLATION; US DEL POINTED OUT
FIRMLY WE WOULD NOT AGREE WITH THE INCLUSION OF THESE
ISSUES IN ANY ACTIONS OF THE FC.
TURNER
UNQTE. ROBINSON

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